

Message Text

UNCLASSIFIED

PAGE 01 CALGAR 00277 170527Z
ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-02
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
USIA-15 OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-10
PA-02 PRS-01 /120 W
-----170532Z 107419 /23/73

R 152138Z JUN 77
FM AMCONSUL CALGARY
TO SECSTATE WASHDC 2067
INFO AMEMBASSY OTTAWA
AMCONSUL TORONTO

UNCLAS CALGARY 0277

C O R R E C T E D C O P Y (PARA 4 - TEXT)

E.O. 11652: N/A
TAGS: ENRG, CA
SUBJ: ALBERTA COAL DEVELOPMENTS

1. DESPITE EARLY DELAYS RESULTING IN LARGE PART FROM ALBERTA'S ADOPTION OF A COMPREHENSIVE, CAUTIOUS, "GO SLOW" COAL POLICY IN JUNE OF 1976, LUSCAR STERCO'S "COAL VALLEY MINE" IN THE FOOTHILLS REGION NEAR EDSON, ALBERTA, IS MOVING AHEAD TOWARD A JULY 1978 COMPLETION DATE. ROADS, IMPOUNDMENTS, AND RAIL FACILITIES ARE WELL ADVANCED AND MOST EQUIPMENT IS ALREADY ON ORDER. CONSTRUCTION OF THE SURFACE MINE WAS STARTED IN 1976 AND TOTAL COST OF THE OPEN PIT MINING PROJECT IS ESTIMATED AT DOLS 90 MILLION. LUSCAR WILL DEVELOP ABOUT ONE-THIRD OF AN 18,000 ACRE AREA WHICH HAS 200 MILLION TONS OF PROVEN RESERVES.

2. LUSCAR PLANS INITIALLY TO EXTRACT 3.4 MILLION TONS OF BITUMINOUS (METALLURGICAL) COAL ANNUALLY WHICH, ONCE CLEANED, WILL YIELD NET 2.5 MILLION TONS. TWO MILLION TONS ARE EAR-
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CALGAR 00277 170527Z

MARKED FOR ONTARIO HYDRO PURSUANT TO A FIFTEEN YEAR CONTRACT, AND THE REMAINDER WILL BE TRANSPORTED BY RAIL TO VANCOUVER FOR SALE ABROAD. GIVEN THE LARGE RESERVES IN THE DEVELOPMENT AREA AND LONG TERM PROSPECTS FOR INCREASED DEMAND FOR COKING COAL, LUSCAR HOPES AT SOME FUTURE POINT TO EXPAND ITS SURFACE MINING OPERATIONS AND IS ALSO CONSIDERING UNDERGROUND RECOVERY FROM DEEP SEAMS.

3. LUSCAR'S COAL VALLEY PROJECT IS ONE OF THE VERY FEW ALBERTA COAL DEVELOPMENTS SINCE THE ADOPTION OF THE NEW PROVINCIAL COAL POLICY. SIGNIFICANTLY, THE PROVINCIALY CONTROLLED ALBERTA ENERGY COMPANY HAS PURCHASED A 25 PERCENT INTEREST IN THE COAL VALLEY MINE. THIS IS FIRST TIME THE PROVINCE HAS ACQUIRED AN EQUITY INTEREST IN A COAL MINE, AND SOME OBSERVERS BELIEVE THAT THIS MAY SET A PRECEDENT FOR FUTURE COAL DEVELOPMENT IN ALBERTA WHEN FOREIGN INTERESTS ARE INVOLVED. (LUSCAR-STERCO IS A WHOLLY OWNED SUBSIDIARY OF LUSCAR LTD., A COMPANY CONTROLLED BY U.K. INTERESTS).

4. SHIPMENT OF ALBERTA BITUMINOUS COAL TO ONTARIO HYDRO IS A MAJOR DEPARTURE FROM THE TREND OF RECENT ALBERTA COAL SALES. ALBERTA MINES HAVE PREVIOUSLY BEEN DEVELOPED TO SUPPLY SUB-BITUMINOUS (THERMAL) COAL FOR ALBERTA POWER PLANTS AND BITUMINOUS COAL FOR JAPANESE STEEL MILLS. EASTERN COAL SALES WERE NOT FEASIBLE BECAUSE OF HIGH TRANSPORTATION COSTS.

5. LUSCAR WILL TRANSPORT COAL TO THUNDER BAY USING FOUR SPECIALLY DESIGNED TRAINS. COAL WILL THEN BE SHIPPED BY GREAT LAKES BULK CARRIERS TO ONTARIO POWER PLANTS. ALTHOUGH ROTARY DUMP GONDOLA CARS AND A NEW COAL HANDLING FACILITY AT THUNDER BAY WILL REDUCE HANDLING COSTS, ONTARIO HYDRO WILL BE PAYING SUBSTANTIALLY PREMIUM FOR ALBERTA COAL. OFFICIALS HERE TEND TO BE TIGHT LIPPED ON ACTUAL DELIVERED PRICE PER TON, BUT LUSCAR EXECUTIVE INDICATED THAT ONTARIO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CALGAR 00277 170527Z

HYDRO HAVE TO PAY ABOUT 45 PERCENT MORE PER TON FOR ALBERTA COAL AS COMPARED TO U.S. COAL ON A BTU BASIS. TRANSPORTATION COSTS ON LUSCAR COAL WILL REPORTEDLY AMOUNT TO DOLS 20 PER TON.

6. ONTARIO HYDRO'S WILLINGNESS TO PAY A PREMIUM PRICE FOR ALBERTA COAL IS REPORTEDLY BASED ON DESIRE TO DIVERSIFY SOURCES OF SUPPLY AND REDUCE SULPHUR EMISSIONS TO MEET ONTARIO AIR POLLUTION STANDARDS. (LUSCAR COAL HAS LESS SULPHUR THAN U.S. COAL CURRENTLY USED BY ONTARIO HYDRO).

7. THE ONLY OTHER MAJOR NEW ALBERTA COAL PROJECT APPROVED BY THE ENERGY RESOURCES CONSERVATION BOARD IS GREGG RIVER RESOURCES OPEN PIT MINE TO BE CONSTRUCTED NEAR HINTON. FURTHER PROGRESS OF THIS DEVELOPMENT AWAITS A BREAK IN THE NEGOTIATIONS WITH JAPANESE INTERESTS OVER A LONG TERM SUPPLY CONTRACT AND A JAPANESE EQUITY INTEREST IN THE MINE. RATTRAY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COAL, INDUSTRIAL PRODUCTION, REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 15-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CALGAR00277
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770226-1165, D770214-0820
Format: TEL
From: CALGARY
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770656/aaaabwmk.tel
Line Count: 115
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ec2b777c-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 12-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2147809
Secure: OPEN
Status: NATIVE
Subject: ALBERTA COAL DEVELOPMENTS
TAGS: ENRG, CA
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ec2b777c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009